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By Electronic Filing

Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: EX PARTE – WC Docket No. 03-16: Application by SBC
Communications, Inc. for Authorization to Provide In-Region InterLATA
Services in Michigan (**corrected**)

Dear Ms. Dortch:

WorldCom submits the answers below to the following italicized questions asked by Monica Desai of the Wireline Competition Bureau relating to SBC's charges for directory assistance listings ("DAL") in the above-listed docket.

1. *Language from page 109 of the Jan 13 Michigan Commn report makes it appear as though there was one price for DAL prior to April 2002, and another price after SBC filed its April 2002 tariff. (Page 109 states: "The December order found that the prices were noncompliant. SBC filed a revised tariff in April 2002, and is now compliant with the Commission's requirements in this area.") You had mentioned that you would look back into the DAL price issue. Would you clarify for us what the DAL prices for load per listing and for DAL updates per listing were prior to the April 2002 tariff?*

Although the Michigan report makes it sound as if SBC reduced its rates in the April 2002 tariff below the prices that were found noncompliant, that is not so. The prices that were found noncompliant were those ostensibly justified by SBC's December 1999 DAL cost studies. SBC did not reduce its prices below the ones set forth in these studies. (It did reduce the rates for updates as compared with those in WorldCom's Interconnection Agreement, but that is not the relevant question.)

When the Michigan cost case began in January 1999 (Case U-11831), SBC had not yet provided any cost studies for DAL. Nor had SBC tariffed any rates for DAL. Thus, the only rates in existence were those in Interconnection Agreements ("ICAs"). The rates for DAL in WorldCom's ICA, which were set by an amendment that was not

subject to arbitration, were staggeringly high to begin with because there was not yet a PSC ruling that rates had to be based on cost. The link to that amendment (from the SBC website) is: http://www.sbc.com/Large-Files/RIMS/Interconnection_Agreements/Michigan/MCImetro_Access_Transmission_Services_LLC/b_mciamend1.pdf. DAL rates are on the last page of the amendment:

- \$0.028 per listing for initial upload
- \$0.0362 per update
- Monthly recurring: TBD
- NRC \$4837.04

This amendment was approved 2/17/99 by the MPSC. See MPSC Order at: <http://www.cis.state.mi.us/mpsc/orders/comm/1999/u-11168.pdf>.

Because the only rates for WorldCom to criticize when the cost proceeding began were those in its ICA, WorldCom explained in its April 1999 comments that these rates were far above cost, noting that the 2.8 cent rate for initial load per listing were 329% higher than the rates in New York and 2545% higher than the rate in Texas, and that differences were even greater for updates. SBC subsequently provided cost studies, but these were completely flawed, as WorldCom showed in its July 17, 1999 filing. On November 16, 1999, the Michigan Commission then ordered SBC to provide new cost studies.

SBC responded by filing confidential cost studies in December 1999 that attempted to justify the 2.8 cent rate for initial listings. The studies did not attempt to justify the 3.62 cents SBC charged WorldCom for DAL updates, however, instead proposing a rate for updates (2.8 cents) that was identical to that for initial listings. It was these DAL cost studies that the Michigan Commission rejected in August 2000, explaining that “there should be one study for all DA services. It is not permissible to compute different costs depending upon who is purchasing the service.” Rehearing Petition, Att. F (included with WorldCom’s Comments).

Yet when SBC finally tariffed rates in April 2002, which was the first tariff for DAL to WorldCom’s knowledge, the rates proposed were actually slightly higher than those in the rejected DAL cost studies. The rates in the April 2002 tariff are:

- \$0.028 per listing for initial upload (same as the WorldCom ICA and the December 1999 DAL cost study)
- \$0.028 per update (less than the the WorldCom ICA, the same as the December 1999 DAL cost study)
- Monthly recurring: \$1258.69 (unclear relative to the WorldCom ICA, only slightly higher than the December 1999 DAL cost study)
- NRC \$5096.30 (higher than the WorldCom ICA, only slightly higher than the December 1999 DAL cost study)

As WorldCom pointed out in its Comments, the cover letter to the April 2002 tariff says that the rates are based on the December 1999 cost studies. And this appears

to be so, with rates for initial uploads and updates the same as those set forth in the cost studies and monthly recurring charges and NRCs only slightly higher. So SBC's position is that it has responded to the MPSC finding that the cost studies are inadequate by tariffing rates that are the same (or very slightly higher) than those ostensibly justified by the cost studies!¹

2. Also, are those prices 2.8 cents (load per listing) and 3.62 cents (DAL updates per listing) now? I was a little confused by the chart on page 6 of your rehearing petition, which references rates of 2.5 cents for each.

The 2.5 cents on the chart is taken from the cost studies, not the rates SBC tariffed. The cost studies then added markups from other parts of the cost studies to arrive at the final rate of 2.8 cents. 2.8 cents is the rate that SBC tariffed for initial uploads and for updates. 3.62 cents is the rate from WorldCom's ICA and is no longer the governing rate for updates.

3. What are the specific TELRIC violations that you are alleging here, in this proceeding? Are you arguing, in this proceeding, that there are specific errors in the DAL cost study(ies)? Or are you arguing that the Michigan Commission seemed to agree with you once, and that is the basis for your argument in the federal proceeding that the DAL prices are not cost-based?

WorldCom is arguing both that there are specific errors in the DAL cost studies and that the MPSC has already agreed with us that these errors exist. These errors include SBC's failure to spread the costs across all users of DAL, including its own retail customers and those of its affiliates. Rehearing Petition, Att. D (included with WorldCom's Comments). SBC allocates the cost of administering the DA database only over the small number of carriers it predicts will purchase DAL uploads. It does not include retail customers and underestimates the number of carriers. Correcting for these errors alone would reduce rates by 75%.

The MPSC has already agreed with us that there are fundamental errors in these cost studies. And SBC has not even tried to file new cost studies so as to obtain MPSC approval for the DAL tariffed rates. Those rates are higher than those the MPSC already rejected and must therefore be rejected as well.

¹ There has been some suggestion that SBC filed an additional cost study for DAL in October 2000. That is not the case. SBC's October 2000 filing related to the cost of DA services, not DAL. Moreover, the tariff SBC filed on October 2, 2000 provides prices per call for DA services, not the price of DAL initial uploads, or DAL updates. Finally, SBC's position on DAL in the 271 docket makes clear that it did not file a cost study after the MPSC found its existing studies deficient. The MPSC 271 order of December 20, 2001 (<http://www.cis.state.mi.us/mpsc/orders/comm/2001/u-12320g.pdf>) at pages 14-16 set forth the positions of the parties on the DAL issue. WorldCom argued that SBC had no MPSC approved cost study for DAL. SBC responded that it did not need any such study, and that DAL need not be priced at TSLRIC. If the October 2000 filing had a DAL cost study, SBC surely would have pointed to that in the 271 case prior to the December 2001 MPSC order.

Pursuant to the Commission's rules, I am filing an electronic copy of this letter and request that it be placed in the record of this proceeding.

Sincerely,

Keith L. Seat

cc: Gina Spade, Susan Pié, Monica Desai, Douglas Galbi, Jennifer McKee, Qualex International, Mike Hirrel (DOJ), Layla Seirafi-Najar (DOJ), Dorothy Wideman (Michigan PSC), Ann Scheidewind (Michigan PSC)